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In the Supreme Court of the United States

OCTOBER TERM 1943.

No. 92.

THE SWAN CARBURETOR COMPANY,

Petitioner,

vs.

THE NASH MOTORS COMPANY,

Respondent.

REPLY BRIEF OF THE PETITIONER ON THE APPLICATION FOR WRIT OF CERTIORARI.

Now COMES the Petitioner and asks leave of the Court to file this Reply Brief and for its consideration.

The ground for the Petition for Certiorari is diversity of decision as stated therein. We find no denial of this diversity in Respondent's brief. Instead, Respondent raises the following two points which we did not deem it necessary to discuss in our former brief:

(1) Respondent claims that there is no showing of any profits attributable to the manifolds when mounted on the cars (as if the mounting of the manifolds on the cars destroyed the value and the profits made when they were not mounted). If this claim were true—and we will show that it is not—such would present another ground for granting the Petition for Certiorari, i.e., the decision below is out of line with recent decisions of this Court, including the decision in the *Mishawaka* case (316 U. S. 203) where the Court placed the burden upon the Respondent to show that none of the profits on the whole were due to the infringement or respond in all of the profits or, to use the language of this Court (p. 206):

*"The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark. *Hamilton-Brown Shoe Co. v. Wolf Bros. & Co.*, 240 U. S. 251, 60 L. ed. 629, 36 S. Ct. 269."* (Emphasis ours throughout unless otherwise indicated.)

and

(2) Erroneous representations relating to the merits of the manifolds and other issues and discussions predicated on these errors which are misleading therebecause. Indeed, most of Respondent's brief is devoted to these errors and misleading conclusions.

(1)

Petitioner showed to the satisfaction of the Master that there was an *average* gain in horsepower of 16.56 per cent and other valuable improvements in engine performance as a result of the use of the patented manifold over the island manifold which Respondent had accepted and used for seven years as the best thing in the prior art for its engines prior to the invention of the patented manifold (Appendix I, p. 81). Petitioner also showed that when General Motors Corporation adopted the patented manifolds new standards of car performance were established thereby and sales of its cars increased and those of Respondent, who was its competitor, decreased, and that when the Respondent adopted the infringing manifold (Plaintiff's Exs. 235 E and F) Respondent's sales promptly increased so that it more than regained its loss. This increase in sales was maintained and Respondent's profits were doubled (Pltf's. Exs. 235 A to D and E; R. pp. 1394 and 1399). Petitioner also showed that Respondent made profits on the infringing manifolds sold separately from

the ears. Petitioner also showed profits on the ears upon which Respondent mounted the infringing manifolds.

Let us, however, assume that Respondent had so commingled the profits that it was not only impossible to show what percentage of the profits were due to the infringement, but that the job of comminglement was so much better done that it was not possible to show that any of the profits made on the ensemble were due to the infringement. Would this greater wrong secure the wrongdoer the immunity which the lesser wrong did not? This Court answered this question in the negative in the *Mishawaka* case, as we have shown, *supra*. It did so in the *Westinghouse* case also.

True enough, as counsel say, this Court said in the latter case that the burden did not shift until after plaintiff had proved the existence of profits attributable to his invention, but this Court considered proof that profits were made upon the ensemble as proof that the defendant had made profits attributable to the invention. This is apparent from the following appearing at 225 U. S. 616:

"The plaintiff proved its patent and that it had been infringed by the defendant in the manufacture of several thousand transformers which sold for \$955,000. The patent was itself evidence of the utility of Claim 4, and the defendant was estopped from denying that it was of value. *Lehnbeuter v. Holthaus*, 105 U. S. 94. But no matter how great its presumptive or actual value it did not follow that the defendant had made a profit by the sale of the infringing transformers. *And so, having sued for profits, the Westinghouse Company was under the burden of showing they had been made. This it did to the satisfaction of the Master, who found that the defendant had netted \$132,000 from their sale.*"

In the instant case the Petitioner proceeded as did the plaintiff in the cited case. Petitioner showed the profits on the entire ear in the instant case, just as the plaintiff in

the cited case showed the profits of \$132,000.00 upon the entire transformers. (In addition, in the case at bar, Petitioner showed the gains in horsepower, etc., due to the infringement.)

Each case of comminglement is no more than an application of the general rule stated by this Court, for example, in the *Westinghouse* case, as follows (225 U. S. 620):

“On established principles of equity and on the plainest principles of justice, the guilty trustee cannot take advantage of his own wrong.”

and a wrong-doer

“cannot appeal to a court of conscience to cast the loss on an innocent patentee.”

Where comminglement is such that it can be shown that there are profits due to the infringement, but not the percentage attributable thereto, the wrong is minor and the rule applies.

Where the comminglement is such that it cannot be shown that any of the profits on the ensemble are due to the infringement, the wrong is major and the rule must apply.

Any other thought would be to contend that “the greater the wrong, the greater the immunity,” a proposal held to be untenable and rejected by this Court in the *Westinghouse* decision (225 U. S. 615).

Therefore, if Petitioner had not shown that the Respondent realized profits and gains from the infringement, Petitioner would be entitled to the entire profits unless the Court accepts one of the means of apportionment presented by the Petitioner.

If the Court should conclude, notwithstanding all of the proof on the subject, that Petitioner had not shown profits on the mounted manifolds due to the invention, then the decision of the Court below is out of line with this Court’s decisions, for example, in the *Mishawaka* and

Westinghouse cases, and that would be a second reason for granting the Petition.

(2)

We did not deem it necessary to discuss the merits of the various manifolds involved in our Petition for Certiorari or the brief thereon since we relied upon the point of diversity of decision, and we do not deem that such evidence is pertinent upon that question here. Nevertheless, since Respondent has devoted the major portion of its brief to this subject, we will reply succinctly to some of the points presented.

The Statute awards the patentee "in addition to the profits" the damages. The language of the Statute on this subject is as reproduced in the footnote.* That Congress has legislated that the patentee is entitled to both the profits and damages is the view of this Court is plain from the following statement appearing in *Westinghouse v. Wagner*, 225 U. S. 615:

"2. In considering the question presented by the record here, it is to be borne in mind that Congress has legislated (Rev. Stat., Sec. 4921) with a view of affording the patentee ample redress against the infringer. *It not only makes the latter liable for damages—sometimes three-fold damages—but for all profits derived from the use or sale of plaintiff's invention.*"

Notwithstanding the plain terms of the Statute and this Court's views on the subject that profits are allowable "in

* "See. 4921. (U. S. C., title 35, sec. 70.) The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of courts of equity, to prevent the violation of any right secured by patent, on such terms as the court may deem reasonable; and upon a decree being rendered in any such case for an infringement *the complainant shall be entitled to recover, in addition to the profits to be accounted for by the defendant, the damages the complainant has sustained thereby*, and the court shall assess the same or cause the same to be assessed under its direction."

addition to" damages, the Courts have fallen into the practice of ascertaining and reporting each and allowing the plaintiff to make its selection. That practice was recognized and followed by the Court below in connection with the unmounted manifolds.

Whatever was the proper practice in connection with the unmounted manifolds, was also necessarily the proper practice with respect to the mounted manifolds. Therefore, there is nothing to Respondent's claim that the award of damages on the unmounted manifolds is sufficient compensation. This is a mere measure of the advantages to the patentee if the Respondent had taken a license and paid the royalties on their due dates without challenging the patent or subjecting the Petitioner to expensive litigation.

We do not deem it necessary to discuss the error of the claim that the invention consisted in a detail design of no practical importance. Sufficient answer to this proposition is found in the decisions of the Court; for example, the decisions at 88 Fed. (2) 885 and 43 F. S. 499, 503. The invention was in the combinations and not in any details or elements constituting features of the combination (*Leeds & Catlin v. Victor*, 213 U. S. 301).

Respondent's claim that it realized no advantages from its infringement is predicated upon a comparison with Respondent's so-called "Second Group" of manifolds which were designed after the infringement and, therefore, not available as a comparator (Master's Report, Appendix I, p. 98), and upon a comparison with a prior art manifold which was not available to it as a comparator for reasons stated by the Master, who rejected it as such comparator (Master's Report, Appendix I, pp. 77-78), and for the further reason that if this prior art device was capable of realizing the results of the patented manifolds, it was not known and recognized at the time that it could do so (*Eibel v. Minnesota*, 261 U. S. 45, 66).

On the other hand, the Master found, as we have already said, that the Respondent realized an average gain of 16.56 per cent in horsepower by the use of the infringing manifold over the best manifold adopted by and available to the Respondent as a comparator at the time of the infringement. On this subject the Master said (Master's Report, Appendix I, p. 82):

"I find, however, that, after giving due weight to all the defendant's testimony, the exhibit fairly represents the increased horse power resulting from the use of the Swan manifold as compared with that produced with the island manifold."

The merits of the Swan invention are established by the decision in the *Reeke-Nash* case (88 Fed. (2) 876, 887) which holds:

"The invention there disclosed (in the Swan patent in suit here and there) satisfied a want long recognized in the art and produced a new result."

and by the *Reeke-Nash* decision (p. 886):

"The fact that many leading automobile manufacturers immediately accepted the Swan manifold shows the existence of a pressing problem and its solution.

* * * * *

"the wide commercial success of the device and its adoption after thorough tests by experts strengthens the presumption of validity. *Motor Improvements, Inc., v. General Motors Corp.* (C. C. A.) 49 F. (2d) 543."

and (p. 887):

"A materially better result was obtained."

Judge Nevin said (43 F. S. 499, 503):

"In the *Reeke-Nash* case the Special Master (Mr. Woods) held as a conclusion of law: '(3) That the patent in suit, No. 1,536,044, is a basic patent and defines and covers a pioneer invention or inventions, and is entitled to a liberal interpretation and a broad range of equivalents.' His (Special Master Woods) report

was confirmed by Judge Hahn in this Court. This Court agrees with this conclusion of Special Master Woods and Judge Hahn."

These factors, as further established by the proofs here, are so outstanding as properly to be classed as exceptional. The Master found (Appendix I, p. 82) that Exhibit 51 shows that the invention increased the horsepower output of defendant's engines an average of 16.5% throughout the entire speed ranges of the engines. There is no denial of the proof of plaintiff's witness, Mr. Church, that cars equipped with engines having such an increase in horsepower and torque as is shown by Exhibit 51 would have "a higher speed, better acceleration, better hill climbing ability, more flexibility, there would probably be less need for gear shifting in traffic at the lower end of the speed range. The engine, in service, should be smoother in operation due to better distribution and less variation in maximum combustion pressure between cylinders, it should have less carbon deposit, cleaner spark plugs, less crank-case dilution, and probably a clearer exhaust. * * * The car should be more attractive to the public, and, consequently, should sell in larger quantities." (Appendix II, pp. 199, 200 and also Appendix II, pp. 238-239, 211 and 77-78). The Swan manifold made the engine more responsive to the throttle, increased its acceleration and made the distribution equal (Appendix II, pp. 238-240). Furthermore, the undisputed proof shows that defendant actually realized all of these advantages on its cars after appropriating the Swan invention.

The undisputed evidence shows that the horsepower of defendant's engines was, in fact, increased not to the extent of an average 16.5% as defendant had led plaintiff to believe, but to the average extent of over 26%, as is shown by defendant's actual log book figures which compared the Swan and island manifolds on the same Nash engine equipped with the same carburetor (Pltf's. Ex. 279).

While the 16.5% increase in horsepower with its attendant improvements was large and worth much more than the license royalties, an increase of 26% was astounding and it was correspondingly more valuable. This increase at peak speed was 41.9% (Pltf's. Ex. 279; Appendix III, p. 102; Appendix II, p. 242).

Another thing established without dispute was the sudden falling off in sales volume of defendant's cars beginning within a month or two after Buick began selling cars equipped with the Swan manifold and continuing until defendant adopted the infringing manifolds; and the equally sudden increase in defendant's sales volume from less than 3,000 to about 8,000 cars per month within a month or two after defendant adopted the infringing manifolds (Exs. 235 E and F); and the continuation throughout the infringing period of a sales volume and net profits more than double those of the best year prior to defendant's use of the Swan inventions, viz.: 1923 (Pltf's. Exs. 235-A-D and E, Acc. R. pp. 1394-1399). Not only had the manufacture and sale of Swan manifolds under license not been abandoned to a large extent, but it had actually increased. The evidence was that the number of licenses had decreased, but not the number of manifolds. This was due to such causes as the consolidations in the automobile business which resulted in the concentration of the business and the Swan licensees in larger concerns such as General Motors Corporation. General Motors Corporation took a paid-up license under the patents in suit, paying in full for past and future infringement soon after the decision of the District Court, reported at 43 F. S. 499, December, 1941, in which high tribute was paid to the merits of the Swan invention, as we have noted *supra*.

Instead of the Court of Appeals in the Sixth Circuit paying tribute to the success of the prior art Matheson manifold, that Court adhered to its previous view that it

had failed to perform the function of the Swan invention, saying on the subject (130 Fed. (2) 394) as follows:

“We do not consider it controlling that this court has held in two former cases based upon other records that Matheson and Fiat, to which the accused manifolds are closer than they are to Swan, *failed to solve the problem of the equal distribution of low volatile gasoline.*”

All three of the tribunals below rejected these contentions regarding the value of the manifolds when each allowed the profits on the unmounted manifolds, to which defendant's contentions would apply, as well as the mounted manifolds. The allowance of the profits by each of the three tribunals on the unmounted manifolds, but the failure to allow the profits on the mounted manifolds, proves conclusively that the sole basis for not allowing the profits on the mounted manifolds was the confusion and comminglement by the defendant.

Manifestly, it is immaterial to either the issue of diversity of decision or conformity with the decisions of this Court whether the infringement was innocent or deliberate. Nevertheless, since Respondent has discussed this question, we point out that the Master found that Petitioner disclosed the invention to Respondent confidentially (Appendix I, p. 54), and that Respondent designed its manifolds with a view of achieving the valuable results of the invention thus disclosed (Appendix I, p. 100).

Nor are Respondent's contentions based on the excerpts quoted from the *Westinghouse* decision at page 9 of Respondent's brief supported or justified by such excerpts since in these excerpts this Court was dealing with cases where there was no confusion. Beginning at the end of the part last quoted by Respondent, this Court took up and dealt with cases where there was confusion, saying (pp. 620-621):

"6. *But when a case of confusion does appear*—when it is impossible to make a mathematical or approximate apportionment—then from the very necessity of the case one party or the other must secure the entire fund. It must be kept by the infringer, or it must be awarded, by law, to the patentee. On established principles of equity, and on the plainest principles of justice, the guilty trustee cannot take advantage of his own wrong. The fact that he may lose something of his own is a misfortune which he has brought upon himself; and if, as argued, the fund may have been made by the use of other patents also, for which he may be liable in another case, it is again a misfortune which he has brought upon himself and an instance of a double wrong causing double liability. He cannot appeal to a court of conscience to cast the loss upon an innocent patentee and by judicial decree repeal the provision of Rev. Stat., Sec. 4921, which declares that in case of infringement the complainant shall be entitled to recover the 'profits to be accounted for by the defendant.'

"This conclusion is said to be in conflict with the Garretson and other decisions which, it is claimed, justify the conclusion that the defendant is entitled to retain all of the profits even where the patentee is unable to make an apportionment. *Warren v. Keep*, 155 U. S. 265. An analysis of the facts of those cases will show that they do not sustain so extreme a doctrine. For they deal with instances where the plaintiff apparently relied on the theory that the burden was on the defendant, and for that, or other reasons, made no attempt whatever to separate the profits. None of the cases cited discuss the rights of the patentee who has exhausted all available means of apportionment, who has resorted to the books and employees of the defendant, and by them, or expert testimony proved, that it was impossible to make a separation of the profits."

In the paragraph entitled "*Second*" at page 10 of Respondent's brief, Respondent discusses Respondent's means for apportioning the profits made on the car be-

tween the mounted manifold and the balance of the car. Save for the admission that there were profits due to the mounted manifolds, pregnant therein and apparent therefrom, this discussion is immaterial on the issues presented by the Petition. Moreover, it is unsound because predicated upon the avowed, but erroneous, premise that the patented invention was due to a detail of design. It is manifest that which means of apportionment, several of which were presented by the Petitioner and this one by the Respondent, is to be adopted, if any, is a question to be considered by this Court in case the petition is granted, and that such question has no bearing upon either the issue of diversity of decision in the Circuits or the departure of the decision below in the instant case from the established practice in this Court. Defendant's means of apportionment was rejected by the Master (M. R., Appendix I, pp. 76-79).

The claims in the first paragraph on page 4 of Respondent's brief are incorrect. All our claims are predicated upon the combinations, the operations, and the achievements. None were ever predicated upon the corners alone. In the Sixth Circuit Court of Appeals case reported at 88 Fed. (2) 876, the infringing manifold had round corners. The Jury held infringement and was affirmed by the Court of Appeals.

In the *Reeke-Nash* case no charge of infringement was made against what Respondent calls the round cornered manifolds at the top of page 6 of his brief because none had been made, sold or used by the *Reeke-Nash* Company prior to the filing of the Bill of Complaint therein.

The quotation at the middle of page 7 of Respondent's brief is not applicable here because it is taken from a case upon a method patent (*Tilghman v. Proctor*) where the standard of comparison rule there stated was applicable. This rule is not applicable on an article.

Respondent's Second Group Manifolds, which Respondent characterized as Defendant's "round-cornered manifolds" in its brief, thus designating the hide by the tail,* are in this litigation called "the Second Group Nash Manifolds," or the "accused manifolds," and we will use such terms here. The majority of the Court of Appeals in the Fourth Circuit reversed the District Court in Maryland (25 F. S. 24) in its opinion at 105 Fed. (2) 305, the Trial Judge had held that these particular manifolds did infringe Claim 20 of patent No. 1,536,044, the only claim charged to be infringed by these manifolds. Circuit Judge Parker dissented (105 Fed. (2) 310) from the majority, agreeing with the District Judge and pointing out that the opinion of the majority of the Court of Appeals in the Fourth Circuit was in conflict with the decision of the Sixth Circuit Court of Appeals at 88 Fed. (2) 876. In the language of Judge Parker the opinion of the majority was—

"in *direct conflict* with the finding in one of the last General Motors cases affirmed by the Sixth Circuit, 88 Fed. (2) 876." (105 Fed. (2) 311.)

The later decision in the Sixth Circuit, reported at 43 F. S. 499, conformed to the Sixth Circuit rule, to the decision of Judge Coleman in the District of Maryland, and to Judge Parker's dissenting opinion.** There thus exists not only a conflict of decisions in the two Circuits, but a conflict between the decisions of Judges Parker and Coleman, on the one hand, and Judges Northcott and Soper, on the other hand, in the Fourth Circuit on this question.

* This is the practice so commonly used in trade, politics, etc. of trying to control, if not conceal, a principle by a slogan or phrase, like yelling about hound dogs, hard cider or swamp root when protective tariff, free trade, pharmaceutical applications, or some other important and salient issue is at stake.

** This situation is not changed by the decisions in the Sixth Circuit in the Swan-Chrysler litigation (130 Fed. (2) 391; 34 F. S. 766). Claim 20 was not involved in that litigation, and the Sixth Circuit Courts in the Chrysler litigation differentiated from the situations in the other sets of litigation (130 Fed. (2) 393).

Not until the Final Decree was entered in the instant case was it appropriate that we call this Court's attention to this diversity of decision (*Smith v. McCullough*, 270 U. S. 456, 461; *United States v. Beatty*, 232 U. S. 463, 466; *Hamilton-Brown v. Wolf*, 240 U. S. 251, 258; *Panama v. Napier*, 166 U. S. 280). It is of this Final Decree that the pending Petition for Certiorari seeks review and, as in the cited case (*Smith v. McCullough*), we sought reconsideration of the question on the second appeal from this Final Decree.

In the last paragraph of the Respondent's brief on this Petition for Certiorari, Respondent asks for a review broader than the specific question presented by the Petition. We join in this request to the extent of the question of infringement of Claim 20 of Swan patent, No. 1,536,044 by the Second Group Nash Manifolds and the propriety of extending the recovery thereto. The other questions covered by the Respondent's request are settled by the *admitted estoppel by judgment* (25 F. S. 22, 23) and, therefore, not appropriate for review (*Hart vs. Railroad*, 244 U. S. 298, 299; *Kessler vs. Eldred*, 206 U. S. 285, 289). Moreover, all the other litigations are closed and the patent has expired, leaving the only unsettled question the extent of recovery in the instant case.

(1) Diversity of Decision: As is clear from Judge Parker's opinion, there is diversity of decision between two Circuit Courts of Appeals which is ground for review by this Court.

There are additional reasons for reviewing this question of infringement of this single claim by this Second Group of manifolds which are as follows:

(2) A Neutral Expert and Weight to be Given Findings of a Trial Court Based Thereon: Judge Coleman, in the District Court of Maryland, followed in the instant

case the practice which he has followed in many cases of appointing *a neutral expert*, thus seeking to avoid placing the neutral Judge between the conflicting views of partisan experts. Judge Coleman appointed Professor Alexander Graham Christie of Johns Hopkins University to perform this function, and he did perform it. It resulted that instead of having a neutral Judge between disagreeing experts, we had a neutral expert between the two pairs of disagreeing Judges, all relying entirely or substantially upon the views of Professor Christie, as the several opinions show. Judges Coleman and Parker considered that there was infringement based upon Professor Christie's testimony (25 F. S. 28-30; 105 F. (2) 311), and Judges Soper and Northcott holding non-infringement, and making their holding while taking note of the testimony of Professor Christie (105 Fed. (2) 308).

All of this casts serious doubt upon the advisability of what otherwise seems to be a commendable practice and one which ought to and might, if properly regulated, lead to great assistance in the administration of justice in patent and allied cases where expert testimony is pertinent. This Court's views upon the diversity of decisions of the two pairs of Judges in the Fourth Circuit, under the circumstances, would be most helpful in connection with this neutral expert practice.

The reasons for following the practice of Rule 52 of Civil Procedure apply with unusual force to the Findings and Conclusions of the District Court predicated upon the testimony of the neutral expert. It will be remembered that this Rule 52 reads as follows on this subject:

“Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge of the credibility of the witnesses. The findings of a master, to the extent that the court adopts them, shall be considered as the findings of the court.”

Not only was Professor Christie selected as the neutral expert by Judge Coleman without suggestion by the parties to the cause, but he was examined by Judge Coleman at the trial. He not only testified at the trial, but he attended the tests of the parties, going from place to place where tests were made, including Cleveland, Ohio and Ann Arbor, Michigan. He made some investigations of his own; he requested that special tests be made and which were made by the parties, sometimes upon equipment furnished by him. He sat through the trial, listening to the testimony of the experts of the two parties before he was called to the stand, where he was examined by the trial Judge and cross examined by counsel for the parties. Therefore, there are much stronger reasons for accepting Judge Coleman's Findings and Conclusions based upon the testimony of the neutral expert than in the ordinary case contemplated by Rule 52, where a witness merely appears in Court at the request of one of the parties and is examined by counsel for the parties. (See also this Court's decision in *Adamson vs. Gilliland*, 242 U. S. 350.)

(3) Weight to be Given Findings of a Jury: Moreover, in the Sixth Circuit Case (88 Fed. (2) 876), referred to by Judge Parker in his dissenting opinion, and by Judge Coleman in the opinion of the District Court of Maryland (25 F. S. 24), infringement had been found by *a jury*, and it would be important for this Court to decide which conclusion should prevail. It is to be said on behalf of the Jury in this particular law suit that Federal Juries contain men who own, repair, maintain, and operate their own automobiles, and that such men would be more familiar with the facts and better able to judge of the facts, performance of manifolds and infringement than Circuit Judges, no matter how much more learned the latter are in the law and subjects of general interest for, to common knowledge, Circuit Judges do not maintain and repair their own auto-

mobiles. As we understand the rule, the Findings of Fact of a Jury stand with such high credit in a reviewing Court that they must be accepted by that Court, except under unusual circumstances, and it ought to be decided what weight is to be given to the findings of the Jury when approved by the Court of Appeals in the Sixth Circuit, the District Court in Maryland, one of the Judges of the Court of Appeals in the Fourth Circuit, when in conflict with the views of two of the Circuit Judges in the Fourth Circuit. It would seem reasonable if the views of the Jury are entitled to such high credit as to be almost unassailable in the Court of Appeals which reviews the Jury's Findings, the Jury's Findings ought to be entitled, as a matter of comity, to controlling influence in a Court of Appeals in another Circuit, especially when the Jury's views are affirmed by so many other Judges.

(4) Lack of Uniformity in Patent Cases Threatens the Usefulness of the Patent System: Since the opinion of the majority of the Fourth Circuit Court of Appeals on this question of infringement of Claim 20 was rendered on June 21, 1939, President Roosevelt's Patent Planning Commission has investigated the whole patent system, made its Report, and the Report was forwarded by the President to Congress (June 18, 1943). Generally, this Report is to the effect that the American patent system has been most valuable to the people of the United States, recommending its continuation, and otherwise offering high praise to the system. The following are excerpts from the Report of the Commission:

"In accordance with Executive Order No. 8977 of December 12, 1941, the National Patent Planning Commission has been engaged in a study of the American patent system and its operation.

"The American patent system established by the Constitution giving Congress the 'power to promote the progress of science and useful arts,' is over 150

years old. The system has accomplished all that the framers of the Constitution intended. It is the only provision of the government for the promotion of invention and discovery and is the basis upon which our entire industrial civilization rests.

"The American people and their government should recognize the fundamental rightness and fairness of protecting the creations of its inventors by the patent grant. The basic principles of the present system should be preserved. The system has contributed to the growth and greatness of our nation; it has:

- (1) encouraged and rewarded inventiveness and creativeness, producing new products and processes which have placed the United States far ahead of other countries in the field of scientific and technological endeavor;
- (2) stimulated American inventors to originate a major portion of the important industrial and basic inventions of the past 150 years;
- (3) facilitated the rapid development and general application of new discoveries in the United States to an extent exceeding that of any other country;
- (4) contributed to the achievement of the highest standard of living that any nation has ever enjoyed;
- (5) stimulated creation and development of products and processes necessary to arm the nation and to wage successful war;
- (6) contributed to the improvement of the public health and the public safety; and
- (7) operated to protect the individual and small business concerns during the formative period of a new enterprise.

"The strongest industrial nations have the most effective patent systems and, after a careful study, the Commission has reached the conclusion that the American system is the best in the world. However, as with any system of long standing, conditions arise which were not foreseen at the time of its establishment. The

American patent system should be adjusted to meet existing conditions without destroying its basic principles."

* * * * *

"The Patent System is the foundation of American enterprise and has demonstrated its value over a period coextensive with the life of our government. The principle of recognizing a property right in intellectual creation is sound and should be continued as contemplated in the Constitution."

The Commission calls particular attention to the danger to the usefulness and benefits of this system due to lack of uniformity of decision in the following language:

"There should be a uniformity in the grant and treatment of patents. The present confusion threatens the usefulness of the whole patent system and calls for an immediate and effective remedy."

That a holding of non-infringement by two Circuit Judges which is contrary to the District Judge who saw and heard the neutral expert and other witnesses, with one of the Judges of the Court of Appeals, with a Jury, and the Courts, including the Court of Appeals in another Circuit, should stand unreversed is hardly consistent with the results of the investigations, the recommendations, and the Report of this Commission, and is certainly contrary to the spirit of that Report in its recommendations for such an administration of the patent system as would prevent lack of uniformity, encourage invention and the beneficial results thereof.

(5) Review of the Question is Within the Practice of the Court (*Panama v. Napier*, 166 U. S. 280): This Court has reviewed questions not specifically named in a Petition for Certiorari.

Although the particular question of the infringement of this Claim 20 by this Second Group of manifolds was not specifically named as a ground in the Petition, a ruling on

this question would influence the amount of profits recoverable, and the amount of profits recoverable is the specific point named in the Petition for Certiorari. Thus, in a left-handed way, the question of the infringement by the Second Group of manifolds may be said to be involved and, as we say, the parties join in asking the Court to review this question. The request made by the Respondent is included with the other requests in the last paragraph of Respondent's brief, and the request of the Petitioner is here and now presented. For simplification we might refer to this question of the infringement of Claim 20 of Swan patent, No. 1,536,044 by the Nash Second Group of manifolds as the second point of the Petition. To avoid any doubt of the practice we are filing an amendment to our Petition for Certiorari to cover this point.

Respectfully submitted,

F. O. RICHEY,

B. D. WATTS,

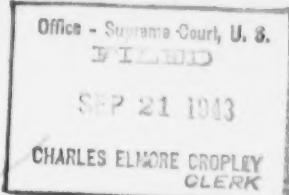
H. F. SCHNEIDER,

Counsel for Petitioner.

RICHEY & WATTS,

Of Counsel.

(30)



IN THE

Supreme Court of the United States

OCTOBER TERM, 1943

No. 92

THE SWAN CARBURETOR COMPANY,
Petitioner,
vs.

THE NASH MOTORS COMPANY,
Respondent.

RESPONDENT'S MEMORANDUM OPPOSING PETITIONER'S MOTION TO SUPPLEMENT AND AMEND ITS PETITION FOR CERTIORARI

The petition for certiorari, as filed, was carefully limited by petitioner to present to this Court a single question, namely, whether the Circuit Court of Appeals for the Fourth Circuit was right or wrong in its refusal to make an award of profits (as distinguished from the damages which it did allow) on certain of defendant's "first group" manifolds. As petitioner said in the argument accompanying its original petition (p. 6), "This petition relates entirely to the profit feature."

The reasons why the petition as filed should not be granted have been stated in respondent's brief in opposition to the petition and will not be repeated here. We note, however, despite petitioner's assertion to the contrary (reply brief, p. 1), that diversity of decision has been specifically denied (respondent's brief, p. 2).

Petitioner has now filed a "Motion to Supplement and Amend the Petition for Certiorari." By the attempted amendment petitioner seeks to obtain a review of an entirely different question from that presented by the original petition, namely, the correctness of the decision of the Circuit Court of Appeals for the Fourth Circuit, on a previous appeal, that respondent's "second group" manifolds do not infringe petitioner's patents.

Respondent submits that it is much too late for petitioner to obtain a review of this decision.

The decision of non-infringement by the second-group manifolds, which petitioner belatedly seeks to have reviewed, was rendered by the Circuit Court of Appeals for the Fourth Circuit in 1939. *The Nash Motors Company v. The Swan Carburetor Company*, 105 F. (2d) 305. No petition for certiorari was filed seeking review of this decision and the proceedings in the case since this decision have been confined to the accounting held to determine what profits or damages, if any, should be awarded to petitioner on account of respondent's first-group manifolds. The decision of the Circuit Court of Appeals awarding certain profits and damages on account of the first-group manifolds, to which the petition for certiorari as filed is directed and confined, was rendered in February, 1943. A petition for rehearing of this decision was denied March 8, 1943. The time within which a petition for certiorari could be filed

therefore expired June 8, 1943. The present petition for certiorari was filed on the last possible day, June 8, and the attempted amendment, served September 10, 1943, therefore comes approximately three months after the expiration of the time allowed for seeking review by certiorari.

Since the attempted amendment is so clearly out of time, we shall not here discuss the merits of the proposed amendment except to point out that the decision of non-infringement by the second-group manifolds is not in conflict with the earlier decision of the Circuit Court of Appeals for the Sixth Circuit holding infringement by the first-group manifolds. The second-group manifolds were of different design, having rounded corners constituting a reversion to the prior art, which compelled a holding of non-infringement. The Circuit Court of Appeals for the Sixth Circuit reached the same result with respect to similarly rounded manifolds in its more recent decision in *Swan Carburetor Co. v. Chrysler Corp.*, 130 F. (2d) 391 (1942). The holding of infringement in *Swan v. General Motors*, 88 F. (2d) 876, was the decision of a jury, not of the Circuit Court of Appeals which had before it only the correctness of the charge of the trial judge to the jury.

In explanation of petitioner's sudden willingness to have a review involving the merits of its patents (of which one has expired and the other has less than a year to run), it may be stated that since the filing of the original petition for certiorari, and the filing of respondent's brief in opposition, respondent has paid petitioner the full amount of the judgment below, with interest to the date of payment (amounting in all to \$169,576.56). Having received this insurance against the consequences of an adverse decision on the merits of its patents, petitioner for the first time seeks review of this old holding of infringement. The effort comes too late.

Respondent submits that this lengthy litigation should be closed by the denial of both the petition for certiorari and the motion to amend.

Respectfully submitted,

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September, 1943

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